

**WINTERFIELD TOWNSHIP, CLARE COUNTY**

**MARION, MICHIGAN**

**JUNE 30, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

JUNE 30, 2008

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-17
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	18
<b>Individual Fund Financial Statements</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	19
Statement of Revenues, Expenditures and Changes In	
Fund Balance	20
<u>Municipal Street Fund</u>	
Balance Sheet	21
Statement of Revenues, Expenditures and Changes In	
Fund Balance	22

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

JUNE 30, 2008

TABLE OF CONTENTS

	<u>PAGES</u>
<u>Garbage and Rubbish Collection Fund</u>	
Balance Sheet	23
Statement of Revenues, Expenditures and Changes In Fund Balance	24
<b>Agency Fund</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	25

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

December 3, 2008

### **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township, Clare County, Marion, Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township, Clare County, Marion, Michigan as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winterfield Township, Clare County, Marion, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

Winterfield Township, a general law township located in Clare County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Winterfield Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$876,838. Of this amount, \$427,743 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$696,703 an increase of \$90,596 in comparison with the prior year. About \$427,743 is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of June 30, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The Township's entire assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration,

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

public safety, public works, culture and recreation, and other functions. Winterfield Township currently has no business-type activities.

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$876,838 at June 30, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**Winterfield Township**  
**Net Assets as of June 30, 2008**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 703,083
Non Current Assets	
Capital Assets	256,094
Less: Accumulated Depreciation	<u>(75,959)</u>
Total Non Current Assets	<u>180,135</u>
<b>Total Assets</b>	<b><u><u>\$ 883,218</u></u></b>
<b>Liabilities</b>	
Current Liabilities	<u>\$ 6,380</u>
<b>Net Assets</b>	
Invested in Capital Assets	180,135
Restricted for Specific Purposes	268,960
Unrestricted	<u>427,743</u>
<b>Total Net Assets</b>	<u>876,838</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 883,218</u></u></b>

The most significant portion of the Township's Net Assets is cash. The Township is not responsible for any long-term debt as of June 30, 2008. Other liabilities are minimal as of June 30, 2008.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$82,139 in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**Winterfield Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended June 30, 2008**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 2,490
Operating Grants and Contributions	4,510
<b>General Revenues</b>	
Property Taxes	135,192
State Grants	33,559
Interest Earnings	14,618
Other	<u>29,095</u>
<b>Total Revenues</b>	<u>219,464</u>
<b><u>Expenses</u></b>	
Legislative	3,490
General Government	40,004
Public Safety	23,157
Public Works	60,924
Culture and Recreation	483
Other Functions	<u>9,267</u>
<b>Total Expenses</b>	<u>137,325</u>
Change in Net Assets	82,139
<b><u>NET ASSETS</u></b> - Beginning of Year	<u>794,699</u>
<b><u>NET ASSETS</u></b> - End of Year	<u><u>\$ 876,838</u></u>

**Governmental Activities**

During the fiscal year ended June 30, 2008, the Township's net assts increased by \$82,139 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

The most significant part of the revenue for all governmental activities of Winterfield Township comes from property taxes. The Township levied a millage for the operating and road improvement millages, this fiscal year. The Township levied 0.9720 mills for operating purposes, and 2.0000 mills for road improvement.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2008, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are spread quite equally by several functions but are dominated by public works expenses in the amount of \$60,924. General government represented the next largest expense at \$40,004 followed by public safety at \$23,157. Expenses for salaries, including Township assessor, represent a large portion of the general government expenses at \$26,500. Depreciation expense added another \$3,775 in general government, and \$7,779 in public works.

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Winterfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Winterfield Township's governmental funds reported combined ending fund balances of \$696,703. Of this total amount, \$427,743 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvements must be used for expenditures that relate to road improvements.

**General Fund** – The General Fund increased its fund balance by \$27,811 which brings the fund balance to \$427,743. All of the General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts.

**Garbage and Rubbish Collection Fund** – The Garbage and Rubbish Collection Fund increased its fund balance by \$4,021 which brings the fund balance to \$17,119. This balance is reserved and must be used for refuse collection and disposal.

**Municipal Street Fund** – The Municipal Street Fund increased its fund balance by \$58,764 which brings the fund balance to \$251,841. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2007 tax roll. Tax related revenues totaled \$75,056. The Township is obligated under a contract with the Clare County Road Commission as of June 30, 2008 for gravel resurfacing for approximately \$48,000.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of June 30, 2008, amounted to \$180,135 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 for land improvements and \$1,000 for all other assets individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Winterfield Township**  
**Capital Assets as of June 30, 2008**

	<b>Governmental Activities</b>
Land and Land Improvements	\$ 51,388
Buildings	53,699
Infrastructure	138,100
Equipment, Furniture and Fixtures	<u>12,907</u>
	256,094
Less Accumulated Depreciation	<u>(75,959)</u>
<b>Net Capital Assets</b>	<b><u>\$ 180,135</u></b>

Major capital asset events during the fiscal year included:

- Improvements were completed to the Township Hall in the amount of \$4,528.

**Long-Term Debt.** Winterfield Township has no obligation for any long-term debt as of June 30, 2008.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2008-09 fiscal year. The Township has budgeted for a decrease as more cuts are expected

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Winterfield Township at 11163 N. Strawberry Road, Marion, Michigan 49665.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 637,502
Due from State of Michigan	10,978
Due from External Party (Fiduciary Fund)	<u>54,603</u>
Total Current Assets	<u>703,083</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	51,388
Buildings	53,699
Infrastructure	138,100
Equipment, Furniture and Fixtures	<u>12,907</u>
	256,094
Less Accumulated Depreciation	<u>(75,959)</u>
Net Capital Assets	<u>180,135</u>
TOTAL ASSETS	<u>\$ 883,218</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>\$ 6,380</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	180,135
Restricted for:	
Road Improvements	251,841
Garbage and Rubbish Disposal	17,119
Unrestricted	<u>427,743</u>
TOTAL NET ASSETS	<u>876,838</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 883,218</u>

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>				
<u>GOVERNMENTAL ACTIVITIES</u>				
Legislative	\$ 3,490	\$ 0	\$ 0	\$ (3,490)
General Government	40,004	2,490	0	(37,514)
Public Safety	23,157	0	0	(23,157)
Public Works	60,924	0	4,510	(56,414)
Culture and Recreation	483	0	0	(483)
Other Functions	9,267	0	0	(9,267)
Total Governmental Activities	<u>\$ 137,325</u>	<u>\$ 2,490</u>	<u>\$ 4,510</u>	<u>(130,325)</u>
<u>GENERAL REVENUES</u>				
Property Taxes				135,192
State Grants				33,559
Interest Earnings				14,618
Other				<u>29,095</u>
Total General Revenues				<u>212,464</u>
Change in Net Assets				82,139
<u>NET ASSETS</u> - Beginning of Year				<u>794,699</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 876,838</u>

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
JUNE 30, 2008

	GARBAGE AND RUBBISH MUNICIPAL GENERAL COLLECTION STREET FUND FUND FUND			TOTALS
<u>ASSETS</u>				
Cash	\$ 359,892	\$ 21,066	\$ 256,544	\$ 637,502
Due from State of Michigan	10,978	0	0	10,978
Due from Tax Fund	54,603	0	0	54,603
Due from Garbage and Rubbish Collection Fund	3,000	0	0	3,000
TOTAL ASSETS	\$ 428,473	\$ 21,066	\$ 256,544	\$ 706,083
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 730	\$ 947	\$ 4,703	\$ 6,380
Due to General Fund	0	3,000	0	3,000
Total Liabilities	730	3,947	4,703	9,380
<u>FUND BALANCE</u>				
Reserved for:				
Road Improvements	0	0	251,841	251,841
Garbage and Rubbish Disposal	0	17,119	0	17,119
Unreserved				
Undesignated	427,743	0	0	427,743
Total Fund Balance	427,743	17,119	251,841	696,703
TOTAL LIABILITIES AND FUND BALANCE	\$ 428,473	\$ 21,066	\$ 256,544	\$ 706,083

The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total Fund Balances for Governmental Funds	\$ 696,703
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	51,388	
Buildings		53,699	
Infrastructure		138,100	
Equipment, Furniture and Fixtures		12,907	
Accumulated Depreciation		(75,959)	180,135

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 876,838</u>
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The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	GARBAGE AND RUBBISH COLLECTION FUND	MUNICIPAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 60,136	\$ 0	\$ 75,056	\$ 135,192
Licenses and Permits	225	0	0	225
Federal Grants	0	0	2,395	2,395
State Grants	33,559	0	2,115	35,674
Charges for Services	1,820	0	0	1,820
Interest and Rents	6,757	53	7,983	14,793
Other Revenues	1,037	28,003	325	29,365
Total Revenues	103,534	28,056	87,874	219,464
<u>EXPENDITURES</u>				
Legislative	3,490	0	0	3,490
General Government	39,326	0	0	39,326
Public Safety	23,157	0	0	23,157
Public Works	0	24,035	29,110	53,145
Recreation and Culture	483	0	0	483
Other Functions	9,267	0	0	9,267
Total Expenditures	75,723	24,035	29,110	128,868
Excess (Deficiency) of Revenues Over Expenditures	27,811	4,021	58,764	90,596
<u>FUND BALANCE</u> - Beginning of Year	399,932	13,098	193,077	606,107
<u>FUND BALANCE</u> - End of Year	\$ 427,743	\$ 17,119	\$ 251,841	\$ 696,703

The accompanying notes are an integral part of the financial statements.



WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$	90,596
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	\$	(11,554)	
Disposal of Capital Assets		(1,431)	
Capital Outlay		4,528	(8,457)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	82,139
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The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND

JUNE 30, 2008

<u>ASSETS</u>		
Cash		<u>\$ 54,603</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Due to Other Funds		\$ 54,603
<u>Net Assets</u>		<u>0</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 54,603</u>

The notes to the financial statements are an integral part of this statement.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Winterfield Township is a general law township located in Clare County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements

Winterfield Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Garbage and Rubbish Collection Fund* accounts for revenue sources that are legally restricted to expenditure for garbage and refuse collection.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

Additionally Winterfield Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The Township is limited to investments authorized by PA20 of 1943 as amended, and may invest in the following: checking accounts, saving accounts, money market accounts, certificates of deposit, or other instruments that the township treasurer deems appropriate.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of the Winterfield Township totaled \$37,531,574, on which ad valorem taxes levied consisted of 0.9720 mills for the Winterfield Township operating purposes, and 2.0000 mills for the Winterfield Township road improvements. These levies raised approximately \$36,477 for operating purposes and \$75,056 for road improvements.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) for land improvements and \$1,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land improvements	20
Infrastructure	20
Equipment, furniture and fixtures	5-10

Winterfield Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2004, in accordance with the Township's capitalization policy.

**5. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 2, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**III.DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are all on deposit with Citizens Bank and Chemical Bank in Marion, Michigan.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$183,965 of the government's bank balance of \$692,282 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.



WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**B. Receivables**

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	<u>General Fund</u>
Due from State of Michigan	\$ 10,978

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there were no components of deferred revenue and unearned revenue reported in the governmental funds.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Capital assets, being depreciated				
Land Improvements	36,388	0	0	36,388
Buildings	49,171	4,528	0	53,699
Infrastructure	138,100	0	0	138,100
Equipment, Furniture and Fixtures	22,009	0	(9,102)	12,907
Total capital assets, being depreciated	245,668	4,528	(9,102)	241,094
Less accumulated depreciation for:				
Land Improvements	17,839	1,320	0	19,159
Buildings	25,287	1,029	0	26,316
Infrastructure	14,192	6,905	0	21,097
Equipment, Furniture and Fixtures	14,758	2,300	(7,671)	9,387
Total accumulated depreciation	72,076	11,554	(7,671)	75,959
Total capital assets, being depreciated, net	173,592	(7,026)	1,431	165,135
Governmental activities capital assets, net	\$ 188,592	\$ (7,026)	\$ 1,431	\$ 180,135

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 3,775
Public Works	<u>7,779</u>
	<u><u>\$ 11,554</u></u>

Construction Commitments:

The government has an outstanding construction commitment as of June 30, 2008, with the Clare County Road Commission to complete gravel resurfacing on Forest Road from Twin Lakes Avenue to Clareola Ave. at an approximate cost of \$48,000.

**D. Long-Term Debt**

At June 30, 2008, the Township was not obligated for any long-term debt.

**E. Interfund Receivables, Payables and Transfers**

There are no interfund transfers for the year ended June 30, 2008.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual interfund receivable and payable balances as of June 30, 2008, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
<u>Primary Government</u>		
General Fund	\$ 57,603	\$ 0
Current Tax Collection Fund	0	54,603
Garbage and Rubbish Collection Fund	<u>0</u>	<u>3,000</u>
	<u><u>\$ 57,603</u></u>	<u><u>\$ 57,603</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Garbage and Rubbish Collection Fund

Garbage and Rubbish Disposal \$ 17,119

Municipal Street Fund

Road Improvements 251,841

TOTAL FUND BALANCE

RESERVES AND DESIGNATIONS \$ 268,960

**G. Garbage and Rubbish Collection Fund**

On April 22, 1991, the Township Board approved the placing of an annual special assessment on the tax roll to finance the cost of operating a transfer station of the collection of trash and garbage. The transactions accounting for the revenues and expenditures related to the transfer station are reflected in a separate fund established by the Township labeled "Garbage and Rubbish Collection Fund."

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement**

The Township has defined contribution pension plan with Manufacturers Life Insurance Company which covers all Township employees except volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

age 18. An employee's normal retirement date is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means cash compensation actually paid throughout the plan year. Employer contributions to the plan amount to 75% of an amount per a predetermined schedule. Mandatory after-tax employee contributions are 25% of the same predetermined schedule. In addition, participants may make voluntary after-tax contributions in amounts ranging from 1% to 10% of compensation.

Township contributions to the plan for 2007-08 plan year amounted to \$2,250. In addition, employees contributed \$1,050. Costs for participant fees and charges of \$408 were also paid by the Township.

**C. Property Tax Administration Fee**

The Township passed a resolution on June 14, 1983, to charge a 1% administration fee on all ad valorem, taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14<sup>th</sup> and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Fire Protection Contracts**

The Township has a contract with the Marion Community Fire Department and paid \$18,695 for protection for the period March 1, 2007, to February 28, 2008. This amount paid is equal to .5 of 1.00 mill of the Township's state taxable value

**E. Sale of Future Revenues**

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Clare County treasurer. For the 2007 tax roll the Township received a lump sum payment of \$2,073 for general operating tax revenues, and \$4,267 for road maintenance tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			GARBAGE AND RUBBISH COLLECTION FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>									
Taxes	\$ 56,500	\$ 56,500	\$ 60,136	\$ 0	\$ 0	\$ 0	\$ 70,000	\$ 70,000	\$ 75,056
Licenses and Permits	300	300	225	0	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	7,600	7,600	2,395
State Grants	33,000	33,000	33,559	0	0	0	0	0	2,115
Charges for Services	0	0	1,820	0	0	0	0	0	0
Interest and Rents	7,000	7,000	6,757	50	50	53	300	300	7,983
Other Revenues	1,125	1,125	1,037	27,755	27,755	28,003	4,000	4,000	325
Total Revenues	97,925	97,925	103,534	27,805	27,805	28,056	81,900	81,900	87,874
<b><u>EXPENDITURES</u></b>									
Legislative	6,000	6,000	3,490	0	0	0	0	0	0
General Government	54,400	54,400	39,326	0	0	0	0	0	0
Public Safety	26,000	26,000	23,157	0	0	0	0	0	0
Public Works	0	0	0	55,505	55,505	24,035	81,900	81,900	29,110
Recreation and Culture	7,000	7,000	483	0	0	0	0	0	0
Other Functions	15,800	15,800	9,267	0	0	0	0	0	0
Contingency	30,525	30,525	0	0	0	0	0	0	0
Total Expenditures	139,725	139,725	75,723	55,505	55,505	24,035	81,900	81,900	29,110
Excess (Deficiency) of Revenues Over Expenditures	(41,800)	(41,800)	27,811	(27,700)	(27,700)	4,021	0	0	58,764
<b><u>FUND BALANCE</u></b> - Beginning of Year	47,958	47,958	399,932	27,700	27,700	13,098	20,453	20,453	193,077
<b><u>FUND BALANCE</u></b> - End of Year	\$ 6,158	\$ 6,158	\$427,743	\$ 0	\$ 0	\$ 17,119	\$ 20,453	\$ 20,453	\$251,841

WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GENERAL FUND

BALANCE SHEET  
JUNE 30, 2008

ASSETS

Cash	\$ 359,892
Due from State of Michigan	10,978
Due from Current Tax Collection Fund	54,603
Due from Garbage and Rubbish Collection Fund	<u>3,000</u>
 TOTAL ASSETS	 <u><u>\$ 428,473</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 730
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FUND BALANCE

Unreserved	<u>427,743</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 428,473</u></u>
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WINTERFIELD TOWNSHIP, CLARE COUNTY

MARION, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Taxes	\$ 60,136
Licenses and Permits	225
State Grants	33,559
Charges for Services	1,820
Interest and Rents	6,757
Other Revenues	1,037
	<hr/>
Total Revenues	103,534

EXPENDITURES

Legislative	
Township Board	3,490
General Government	
Supervisor	3,712
Election	886
Assessor	10,037
Clerk	7,979
Board of Review	789
Treasurer	10,547
Building and Grounds	4,632
Cemetery	744
Public Safety	23,157
Recreation and Cultural	483
Other Functions	9,267
	<hr/>
Total Expenditures	75,723
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	27,811

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 399,932
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<u>FUND BALANCE</u> - End of Year	<hr/> \$ 427,743 <hr/>
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
JUNE 30, 2008

ASSETS

Cash	\$ 256,544
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 4,703
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BALANCE

Reserved for Road Improvements	251,841
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TOTAL LIABILITIES AND FUND BALANCE	\$ 256,544
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

MUNICIPAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Taxes	
Current Property Taxes	\$ 75,056
Federal Grants	
Bankhead Jones Grant	2,395
State Grants	
Telecommunications Right of Way	2,115
Interest and Rents	
Interest Earnings	7,983
Other	
Miscellaneous	<u>325</u>
Total Revenues	<u>87,874</u>

EXPENDITURES

Public Works	
Highways, Streets and Bridges	
Other Services and Charges	
Road Brining	13,325
Repairs and Maintenance	15,753
Miscellaneous	<u>32</u>
Total Expenditures	<u>29,110</u>
Excess (Deficiency) of Revenues	
Over Expenditures	58,764

<u>FUND BALANCE</u> - Beginning of Year	<u>193,077</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 251,841</u></u>
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

BALANCE SHEET  
JUNE 30, 2008

ASSETS

Cash	\$ 21,066
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 947
Due to General Fund	3,000

Total Liabilities	3,947
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FUND BALANCE

Reserved for Garbage and Rubbish Disposal	17,119
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TOTAL LIABILITIES AND FUND BALANCE	\$ 21,066
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

GARBAGE AND RUBBISH COLLECTION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

REVENUES

Interest and Rents	
Interest Earnings	\$ 53
Other Revenues	
Special Assessments	27,555
Added Fees	448
	<hr/>
Total Revenues	28,056
	<hr/>

EXPENDITURES

Public Works	
Refuse Collection and Disposal	
Personal Services	
Salaries and Wages	5,698
Social Security	440
Supplies	
Operating Supplies	3,449
Other Services and Charges	
Contracted Refuse Removal	14,448
	<hr/>
Total Expenditures	24,035
	<hr/>

Excess (Deficiency) of Revenues	
Over Expenditures	4,021

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 13,098
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<u>FUND BALANCE</u> - End of Year	<hr/> \$ 17,119 <hr/>
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WINTERFIELD TOWNSHIP, CLARE COUNTY  
MARION, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
JUNE 30, 2008

	BALANCE			BALANCE
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008
<hr/>				
<u>ASSETS</u>				
Cash in Bank	\$ 51,566	\$ 1,437,493	\$ 1,434,456	\$ 54,603
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 51,566	\$ 105,973	\$ 102,936	\$ 54,603
Due to Other Groups and Individuals	0	40	40	0
Due to Other Governments	0	1,331,480	1,331,480	0
<hr/>				
TOTAL LIABILITIES	\$ 51,566	\$ 1,437,493	\$ 1,434,456	\$ 54,603
<hr/>				

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

December 3, 2008

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Winterfield Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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December 3, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Winterfield Township  
Clare County  
Marion, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 3, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Winterfield Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 3, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Winterfield Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

#### Balance in the Tax Collection Fund

- The Current Tax Collection Fund had a balance of \$54,603 at year end, all due to the General Fund.

The tax account should be cleared out prior to the beginning of the new tax roll levy in July of each year.

#### Tax Collection Distributions

It was not apparent that distributions of tax collections are being made timely. Tax collection distributions must be made within 10 days after the 1st and 15th of the month. The distribution should include all collections made up to that point. Specifically, it appears that the Township Operating Tax is only being disbursed over to the General Fund once per year.



Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following item is noted:

The budgets as adopted did not include beginning fund balance or actual prior year information.

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BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*